

**HEARING ON DEMOCRACY IN LATIN AMERICA**  
**June 21st, 2006**

**PROPOSAL FOR HIS EXCELLENCY SENATOR HENRY HYDE**  
**CHAIRMAN, COMMITTEE ON INTERNATIONAL RELATIONS**  
**CONGRESS OF THE UNITED STATES OF AMERICA**

Mr. Chairman your questions on the current state of democracy in Latin America requires a methodology that will allow us to penetrate on the complexity of such a diverse region. I propose that we analyze the active agents of democracy, namely, political parties, and that we do so, on the basis of a concrete historical example. Since my country, El Salvador, successfully transited from a dictatorship to a democracy, I propose that we analyze this case prior to addressing general views on the region's democratic future.

**THE CASE OF EL SALVADOR: FROM DICTATORSHIP TO DEMOCRACY**

**A. HISTORICAL BACKGROUND**

In 1972 the more radical sectors of the communist movement decided that conditions were ripe for an armed insurgency in El Salvador. These isolated groups were greatly stimulated by the Sandinista victory in 1979 in neighboring Nicaragua. A year later, under the direct command of the Castro regime, the approval of the Soviet Union, and the logistical compromise of the Sandinistas, the various guerrilla movements were integrated under a unified movement. The FMLN was officially born in Havana in 1980.

The United State's government decided to help the Central American nations stop the communist takeover of the region. El Salvador became from 1979 onwards the last armed scenario of the cold war. When the Berlin wall fell in November 1989, support for the guerrilla movement dwindled, thereby strengthening the argument of some of their leaders that the armed strategy had no future. The FMLN's central command decided to accept the government offer to end the war through a negotiated peace. The Peace Treaty was signed in February 1992.

El Salvador was destroyed by 13 years of armed conflict. In one of the greatest diasporas in modern history, one third of the population fled to neighboring countries. Every Salvadorean family had to mourn the loss or the separation from at least one of its members. Our streets were filled with beggars due to the brutal impoverishment of our campesino families.

Power shortages were the norm, nurses and doctors pleaded that power lines be spared as children in the intensive care units were dying. The Pan-American Highway, the main artery that articulates the country from our borders with Guatemala to Nicaragua became in many stretches a dirt road.

The state of siege suspended all personal rights from 6 pm to 6 am. Anybody in the streets could be shot without even an explanation.

Faced with threat of a growing guerrilla movement, the Military Junta that governed since 1979, decided “to steal the promises of the left” and implement a socialist state.

The destruction of the war was now compounded with a disastrous public policy. All properties greater than 240 hectares were forcefully expropriated. The banking system passed in its entirety to the government. Foreign commerce became a state monopoly through a law that forced all exports to be channeled through a government agency.

This generated unprecedented corruption levels, a paralysis of the productive sector, and a bureaucratic mismanagement catastrophe in key institutions.

In the middle of the war, a devastating earthquake destroyed the capital city.

Our overpopulated country, totally dependent on its weak agricultural exports, overburdened by a disastrous public policy, in the midst of a severe armed conflict, seemed hopeless.

And yet today, only fourteen years from the events I describe to you, El Salvador is a different country. It has slashed its poverty level by half, from 60% in 1992 to 30% today. Extreme poverty has been brought down from an alarming 30% to a 12%. Though any percentage in this category is inadmissible, El Salvador has achieved the highest poverty reduction rate in the continent.

Twelve years ago, 25% of the population could neither read nor write. Today it is 13%. Infant mortality was 45 per a thousand births. Today it is 25.

During our term in office, everyday we advanced one kilometer in connecting our most isolated rural communities, everyday we built three schools to educate our poorest children, everyday we built 106 new low income houses and every week we built a new health clinic.

After having interest rates around 30%, we have today the lowest interest rates in the region, 6.8%. Our new monetary policy and strict fiscal discipline have earned us the coveted investment grade, shared in Latin America only by Mexico, Chile and El Salvador.

Of all the Central American countries, El Salvador is the first to be ready to reap the benefits of the Central American Free Trade Agreement with the United States.

Conditions in El Salvador have changed dramatically. Telephone lines have multiplied twelvefold. Vehicles have increased fourfold. Water supply and

electricity are up 50% in the rural areas. It is now possible to acquire a low income house for \$30 a month.

From a Socialist dictatorship, we now have a vibrant democracy, a free and independent press, a true separation of powers.

What is El Salvador's secret? What can explain this dramatic change in less than fifteen years?

I am convinced that there are four essential elements. The first is a cultural change from the common "blame it on others" to a conviction that a country must assume responsibility. The second is a long term vision structured on the principle of freedom; that is both economic and political freedom coupled with a strategy to fight poverty based on creating new opportunities. A vision with enough depth to tackle a country's deepest problems, practical enough to be implemented in one and hopefully several government programs, and with sufficient appeal to gather the whole country around it can not be improvised. The third element is an effective leadership.

This means a leadership that is the antithesis of populism. One that is willing to take the political costs of doing what his country needs and while doing it, still capable of winning elections. Fourth is a new political vehicle.

It is this last element I will be emphasizing in my presentation today Mr. Chairman. I do so because the health of a democratic system is in the end, the health of its component parts, and so it has the greatest relevance for the issues you discuss today in this committee, and because without it none of the first three conditions would have been possible.

## **POLITICAL PARTIES AND THE TRANSFORMATION OF EL SALVADOR**

In our country, political parties had become so distorted that their objective was no longer the nation they were born to serve but their small interests. This created numerous distortions. Instead of selecting the best members of society for leadership positions they valued party loyalty and political clientele over anything else. As the most loyal party members are not likely to be the most competent, politics became synonymous with mediocrity, and a vicious cycle ensued as the more capable members of our society evaded political involvement.

We had fallen into the most prevalent political disease of our region: populism. The common political approach was to consider popularity as the main objective of a president's actions. These usually precluded initiatives that carried high political costs with two very dangerous consequences: either the urgently needed reforms were never undertaken, or so many concessions were made in the effort to appease criticism that the end result was a pale and superficial attempt that usually left things as they were.

My conviction, supported by El Salvador's record, is that a leader is elected to do what his country needs and his popularity must be subservient to this objective. In fact a leader's political capital is valuable only if it is invested in improving the conditions of his country. If it is invested only in his image, it has no practical use for his countrymen.

By the mid 1980's this political behavior was such that the possibility of renewing our political leadership was precluded - over and over again, in every election, the same faces were up for the ballot. In this case national interests, however important they might be, are overcome by party interests because by taking away from voters the possibility to change their reality through votes, the electoral process becomes a meaningless formality.

The distortion of this party loyalty in our public administration can't be overstated. One of the most obvious is that the cabinet became a combination of friends and party members, thus eliminating the possibility of choosing capable leaders for strategic institutions.

Prior to 1989, it was the norm to hire political activists as government employees in payment for participation during campaign efforts. This way a political clientele that could be mobilized during electoral periods was insured.

A political culture was created that made of our institutions the spoils of political warfare. Decades of this behavior had allowed political parties to possess institutions as party territories. No election changed this as over the years so many instruments of control had been transferred into the party's hands that a shadow government was effectively in place.

This is a dangerous situation in any institution. In the case of the administration of justice the distortion is so grave that it can destroy a country.

Through their past participation in the central government or their current influence in our national assembly, political parties had created such a strong legal shield over government employees that it was impossible to suspend, transfer or substitute any of the employees, however destructive their behavior.

In many government agencies employees held allegiance to the political parties that protected them and not to the objectives of the newly elected administration. As the political activist could hide his transgressions behind his status of party member, the situation created a corruption incentive.

These cadres of political activists constantly manipulated workers into enacting strikes to support their party's political agenda. Workers always supported these measures because the law was so overprotective that a strike meant a paid vacation and a possibility of negotiating a salary raise to end the strike.

The end result was that key government institutions had a highly incompetent management, shouldered a hugely overgrown bureaucracy, held a system of

loyalties that fostered corruption and any effort to modernize them was effectively sabotaged through strikes and the support of political parties in congress.

The lack of legitimacy of our traditional parties was to a great degree a cause for the armed conflict that began in 1979. As the possibility of resolving our social conflicts through our political system was not possible because of the lack of credibility of our traditional parties, those that proposed violence, insurrection and an anti-system perspective need only pinpoint the situation of our democratic system to justify their arguments.

In El Salvador in 1979 all forms of radicalism, Marxism, guerrilla warfare, insurrection, military dictatorship, had a following since the population's hope for change had been systematically frustrated by a political system that was hostage to decadent political parties.

It was necessary to create a new political instrument. One that could serve as a vehicle for competent leaders to involve themselves in government without demanding any subservience to party interests; one that would not make of our institutions a prize for political activism; one that would have the national interest above all party considerations and would not allow populism to overshadow the serious restructuring that our country needed; one that would make out of constant renewal a strategy for political success. ARENA was born in 1980.

Its essential characteristic became evident when the founder of the party, facing great possibilities of success in the 1989 presidential election stepped aside, and instead did the job of selecting the best candidate possible.

President Cristiani was the first to further an economic model based on freedom, he negotiated The Peace Accord, effectively ending the war in 1992, and developed the first cohesive strategy to fight poverty. I can attest to this as I was a member of his team.

Upon completing my term in office two years ago, our party won by a landslide the presidential election. In Latin America a fourth consecutive term won by the same party in free elections with the same core vision and implementing constant reform is to my knowledge a political phenomenon that has only happened in El Salvador.

When my term was coming to a close, all the members that had accompanied me in the party's directory were asked to resign. Every single political instrument that allowed me to continue exercising influence was willingly turned over to the new team. I did this out of a conviction that permanent renewal is El Salvador's strategy for success.

Every leadership in ARENA has been allowed to further his vision. The ARENA of President Cristiani limited in no way the administration of President Calderon.

Neither was my vision constricted in any way by party considerations. This allowed the national interest to be at the core of my administration's effort.

To conclude this explanation of El Salvador's successful transit from dictatorship to democracy, from poverty to sustained development, from war to peace, from isolation to international recognition allow me Mr. Chairman to restate that four essential conditions must be present: a national attitude that assumes responsibility and does not transfer a nation's problems to external excuses, a long term vision based on the principles of freedom, competent leadership and a political vehicle that allows the national interest to be always above the party's interest.

#### **CONCLUSION:**

#### **GENERAL APPLICATIONS OF THE SALVADOREAN EXPERIENCE**

In answering your broader question as to the health of democracy in Latin America, I believe that the historical experience of modern day El Salvador can provide valuable insights. I suggest the following ten:

- 1) The will to change has to come from within.
- 2) Healthy, competent leadership is of all political ingredients the scarcest and the most needed to change a Nation's future.
- 3) Radicalism is present in all societies. It is the population's deep frustration with a political system that constantly betrays their aspirations what creates a stimulus to the anti-system proposals, whether these are military coups or Marxist revolutions.
- 4) The temporary support for radical or violent political expressions in El Salvador during our crisis, were caused by our people's realization of foul play during elections and never by a rejection to democracy as such.
- 5) When the smaller objectives of party politics take precedence, a political clientele can create such an overgrown, inoperative bureaucracy that the most essential government services as health, education, water supply can not be given to those that need them most.
- 6) Prolonged influence of party politics in public administration can produce a 'shadow' government; that is, a hidden authority that effectively controls institutions. When this happens in the judicial system a constant crisis ensues as the 'shadow' authority effectively sabotages any newly elected administration.
- 7) The tasks of changing an underdeveloped nation's future are of such complexity that they require its most capable members to participate in the effort. Their involvement is not possible when party loyalty is grossly valued over competence, and particularly when political involvement is severely discredited.

8) The experience of El Salvador points to the fact that the differences in our region are not between large or small countries, rich or poor, highly educated or not, but between well managed countries and mismanaged ones... In the 1980's El Salvador was seen as the poorest country in the region. Our experience was not that we had no resources but that they were gravely mismanaged. Priorities are much more important than resources.

9) Hope for the future is a crucial component of a country's effort to surmount its obstacles. When political parties can't offer a real leadership renewal this positive energy turns quickly into a pessimistic outlook.

10) A serious analysis of El Salvador's political development is conclusive in signaling political parties as both the root of the crisis and the solution of the crisis.

Finally, Mr. Chairman I would conclude that El Salvador is proof that the opposite consequences happen when the political life is renewed by a new political party. A new political vehicle, or a profound renewal in a traditional party, can produce a sufficiently competent leadership to develop a long term vision, a capacity to assume the difficult reforms that all underdeveloped nations need, and produce volition towards renewal.

I have become so convinced of these four essential elements in transforming a nation's future that together with a team of competent professionals that accompanied me during my term in office, I founded the Instituto America Libre. Our institution does in situ research to identify sound, competent leadership, supports them in the development of a long term vision based on the principles of freedom, helps in designing new political vehicles and enables the transference of political abilities to win elections. Our objective is to see that other underdeveloped nations find prosperity within the values of democracy and are able to win the battle against poverty.

I hope my remarks are of help to you Mr. Chairman in the task your committee has set for itself. Though it was not possible for me to attend your invitation I have considered it a great honor. My regards to you and the members of the committee.

Francisco Flores